

ZTE: All Must Obey

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When the Shah of Iran, the US selected and world accepted dictator, wanted to develop nuclear weapons in the mid 1970's he had the support of several nations by the time he was overthrown in 1979. France did a billion dollars worth of nuclear business with the Shah's brutal regime. The US also agreed to participate with the key provision that the high grade fissionable material required to trigger the device be processed in the US. At the time of the Shah's overthrow West Germany was near an agreement to supply what the US would not. As for a delivery system, no problem there, Israel had already received an Iranian payment of \$25 million to development a nuclear bomb capable missile system.

From the inception of the Islamic Republic Iran has been subjected to a number of sanctions. The current one began in 2015 when various entities decided that Iran's nuclear program involved making a bomb which would undermine the scare-effect of Israel being the only nation in the region with nuclear weapons. Various nations and organizations declared economic sanctions with that of the US being the most severe – all trade with Iran is banned except for a few of a humanitarian nature.

So what the devil got China involved in a restriction on American companies trading with Iran? It is because the US, the world's imperium of imperialism, thinks it has the power to do whatever the hell that it wants to do. It banned American companies from doing business with China's ZTE telecommunications company. Initially the company, with 80,000 employees, seemed contrite. It confessed its guilt, said it will fire or discipline dozens of its employees, and apparently agreed to pay a \$1.2 billion penalty because, you see, it does so much business with the US that cutting it off for seven years could mean its demise. But yesterday the attitude of the company and the Chinese government changed. Now the US actions are "extremely unfair" and "unacceptable" according to the company, and China's Commerce Ministry said it would take necessary measures. How about banning all trade with that part of China known as Taiwan unless terms are agreed to by Beijing? I'm sure that would make it easier for everyone to forget about the trade war.

IMF chief Lagarde told Chinese officials a little French story about repairing roofs while the sun shines. World global debt is currently an outrageous 220% of total output. From 2007 China accounted for 40% of the increase. She wants global capitalism to be prepared for the next economic downturn even while global capitalism struggles to free itself from the last big one. Paring back debt means ever more soak the poor and working class austerity decrees, which will no doubt lead to ever more populist outbursts. The sun will not shine for the working masses until they extricate themselves from the dark night of world capitalist assholedom.

Expectations are high for a good first quarter GDP report largely because of inventory build-up which is included in GDP. The official line is that if the makers

of things are making more of those things, then they must be experiencing the strengthening economy that the Fed is rushing to prevent from overheating by way of rate increases. On the other hand, neither the Fed nor the makers of things may have any idea what is really going on and are just making wild shots in the dark. Last month there were more than 12 million MVA (Motor Vehicle Assemblies). Those are counted in the GDP. But last month only about 10 million cars were sold. Stay tuned to learn whether that means higher earnings for auto makers or bargain liquidations for buyers.

China's economy provides more evidence of the global stagnation that media babblers keep trying to hide from those suffering its consequences. The worst months for China's IP growth were November 2008 (5.4%) and December 2008 (5.7%). In only one other month was it below 8%, April 2009 (7.3%). In March 2018 it was reported as 6%. That makes it 44 straight months below 8%. China has come to realize that the Wonderful Western capitalism it decided to hitch its economic wagon to is a rickety pile of wood being dragged along on broken wheel struts. But there is no turning back from capitalism unless its done by the angry people of China.

At the end of the week 10 year US bond yield was 2.96%, just short of the big 3%. The recent peak in yield was 3.05% in 2011. When yields go up the price of bonds goes down; if for an extended period, it's a bond bear market. If such will happen, and it does happens, how bad it will be, nobody knows. What is known is that 10 year US Treasury yields are linked to a host of debts – mortgages, student debt, etc. at home and government bonds of less developed nations. A rising cost of debt would tend to drive investors away from or out of risky investments like certain equities and junk bonds. In 2008 there were \$5.8 trillion Treasuries afloat – now it's \$14.9 trillion (about \$4.5 owned by the Fed). With big tax cuts for the rich resulting in an ever bigger debt, and the need for the world to help pay for it by investing in an economy that is going down with the rest of them, one can understand the cause for concern.

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